

1993 WL 533933 (F.R.B.)

Page 1

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Federal Reserve Board (F.R.B.)

PRESS RELEASE

*1 FOR IMMEDIATE RELEASE: December 27, 1993

The Federal Reserve Board today announced that it has settled administrative charges against Khalid Bin Mahfouz, Haroon Kahlon and the National Commercial Bank of Saudi Arabia. This settlement involved a civil money penalty, fines and a restitution payment totalling \$225 million. These payments were received on Friday, December 24, 1993.

The settlement was jointly reached with the Board and the District Attorney for the County of New York. In addition to the Board's administrative charges, the settlement resolved criminal charges brought by the District Attorney. The settlement in this case represents the single largest collection of penalties and restitution ever undertaken by the Board.

Mahfouz, who controlled the National Commercial Bank and was a shareholder and director of BCCI, as well as a shareholder of the former parent company of the First American banks, was charged by the Board with violating provisions of federal law, with the assistance of Kahlon and through the facilities of the National Commercial Bank.

The Board charged that Mahfouz acquired control of 28.7 percent of the shares of the parent company of the First American banks, without first obtaining prior approval of the Federal Reserve. The Board also charged that Mahfouz and Kahlon assisted BCCI in a number of transactions designed by BCCI to conceal its true financial condition and ownership from regulators, auditors, creditors and depositors.

To settle the charges, a civil money penalty of \$35 million was assessed by the Board and has been paid. In addition, \$188 million in restitution was paid, to be used for the ultimate benefit of the innocent victims of BCCI's illegal activities. Before any of the \$188 million is released, the Board and the District Attorney must be satisfied that only innocent victims will be compensated. Finally, Mahfouz may not participate in the conduct of the affairs of any United States banking entity without the prior consent of the Federal Reserve.

The Board thanked the District Attorney for the County of New York, the U.S. Department of Justice and the United States Attorney for the Southern District of New York for their assistance in this matter.

Copies of the settlement agreements are attached.

1993 WL 533933 (F.R.B.)

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